

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7528

BILL NUMBER: HB 1792

NOTE PREPARED: Jan 27, 2003

BILL AMENDED:

SUBJECT: Room and Board Waiver for Hospice Care.

FIRST AUTHOR: Rep. Hasler

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X

X

**GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: This bill authorizes the Office of Medicaid Policy and Planning to implement the Hospice Room and Board Waiver and appropriates an amount sufficient to be used for the waiver for FY 2004 and FY 2005.

Effective Date: July 1, 2003.

Explanation of State Expenditures: *Summary:* Under current federal regulations, “room and board” payments for individuals receiving services in the Medicaid hospice program are only permitted for hospice services provided in nursing facilities. HEA 1873 (2001) required the Office of Medicaid Policy and Planning (OMPP) to apply for a federal demonstration waiver to provide a per diem amount for “room and board” to hospice residential facilities (non-nursing home facilities) in an amount equal to 95% of the average nursing facility reimbursement rate. HEA 1873 also specified that OMPP may not implement the waiver unless the General Assembly approves the implementation of the waiver and appropriates funds for the implementation. This bill authorizes OMPP to implement the Hospice Room and Board Waiver and makes an appropriation for FY 2004 and FY 2005.

According to OMPP, the waiver application has been submitted to the Center for Medicare and Medicaid Services (CMS), but the application has not at this time been approved.

The estimated state share of the cost of providing room and board reimbursement in hospice in-patient facilities is estimated to be \$448 to \$1,018 per hospice patient who would otherwise have received hospice services in a private home. In addition, OMPP estimates additional state share of expenditures of \$15,000 for systems modifications.

Background Information: Cost neutrality is a requirement for federal approval of waivers. Since the per diem rate for in-patient hospice residential facilities is required to be 95% of the average nursing facility case-mix

reimbursement rate, there should be a small cost difference between providing hospice services in a free-standing hospice facility compared to providing those services in a nursing facility. Room and board cost reimbursement would, for the most part, merely be shifted from nursing facilities to free-standing hospice facilities.

However, to the extent that the recipient would have otherwise received hospice services in a private home rather than a nursing home, but now would choose to receive those services in a hospice residential facility, the costs to the state would increase. The estimated cost of providing room and board reimbursement in hospice in-patient facilities is estimated to be \$1,180 to \$2,680 per hospice patient. The state share of this amount would be \$448 to \$1,018. The range is based on average lengths of stay between 11 and 25 days. The number of individuals who would choose to receive hospice care in a free-standing facility instead of at home is not known.

OMPP is estimating a total of 16 individuals with an average length of stay of 25 days for a total additional cost of about \$42,900. This would result in a state share of additional expenditures of \$16,300.

In addition, OMPP estimates additional expenditures of \$60,000 for systems modifications. The state share of this expenditure with 75% federal reimbursement would be \$15,000.

Explanation of State Revenues: See *Explanation of State Expenditures* regarding federal reimbursement of state expenditures in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning.

Local Agencies Affected:

Information Sources: Michelle Stein-Ordonez, OMPP, (317) 233-1956.

Fiscal Analyst: Alan Gossard, 317-233-3546